

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4479
July 8, 2004**

RESOLUTION

**(RES. W-4479), SAN JOSE WATER COMPANY (SJWC). ORDER
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$4,558,134 OR 3.62% FOR
INCREASES IN THE COST OF PURCHASED WATER AND PUMP
TAX.**

SUMMARY

By Advice Letter No. 348, filed May 7, 2004, SJWC seeks revision of tariff Schedule No. 1, General Metered Service, to provide for an increase in revenues. This resolution grants SJWC's request for authority to increase rates producing an increase in annual revenues of \$4,558,134 or 3.62% to offset the increases to purchased water and pump taxes that are scheduled to be adopted by the Santa Clara Valley Water District (SCVWD) effective July 1, 2004. The offset rate increase will not result in a change in this utility's current rate of return.

BACKGROUND

SJWC serves approximately 212,196-metered customers in the city of San Jose, and vicinity in the County of Santa Clara. The present rates for SJWC became effective January 1, 2004, by Decision (D.) 03-12-007.

SJWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$2,362,810 increase in purchased water costs, (2) a \$14,148 in local franchise taxes, and (3) \$8,047 in related increases in uncollectibles. The higher costs for purchased water was imposed on SJWC by the SCVWD.

DISCUSSION

The offset increases requested herein are for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized.

The reason for the above changes is as follows: SCVWD increased its wholesale purchased water rates effective July 1, 2004, from \$460/AF to \$495/AF and the pump tax rate from \$375/AF to \$405/AF. The combined impact of these rate increases result in a \$4,558,134 increase in purchased water costs and pump tax costs for SJWC.

The increases in SCVWD's purchased water costs and pump tax costs is directly related to water consumption and therefore the associated rate increase for SJWC shall be applied to the quantity rates. In order to recover the higher costs, SJWC will increase its quantity charge by \$0.0758/Ccf. The monthly bill for an average residential customer utilizing 1,500 cubic feet of water per month would increase by \$1.14 from \$36.84 to \$37.98, or 3.09%.

Service by SJWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. SJWC is currently earning 8.0% on a recorded basis, which does not exceed its last authorized rate of return of 9.10% pursuant to Commission D.01-04-034, dated April 19, 2001.

NOTICE AND PROTESTS

SJWC has given public notice of the request for an increase by publishing in a local newspaper of wide circulation in the San Jose area as evidenced by a Proof of Publication provided to the Water Branch by the utility. No protests letters were received concerning the proposed offset increase.

FINDINGS

1. Effective July 1, 2004, SCVWD increased its purchased water rates from \$460/AF to \$495/AF resulting in an annual increase of \$2,362,810.
2. Due to the increase in purchased water costs and pump tax, local franchise taxes, and uncollectibles will be increased by \$14,148 and \$8,047, respectively.
3. SJWC has requested to increase its quantity charge by \$0.0758/Ccf to offset the \$4,558,134 in increased costs for purchased water, pump tax, and related increases to uncollectibles and franchise taxes.
4. SJWC is currently earning 8.00% on a recorded basis, which does not exceed its last authorized rate of return of 9.10% pursuant to Commission D.01-04-034, dated April 19, 2001.
5. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g)(3).

July 8, 2004

THEREFORE IT IS ORDERED THAT:

1. San Jose Water Company is authorized, to make effective revised Schedule No. 1, General Metered Service, attached to Advice Letter No. 348, and to cancel the corresponding presently effective rate schedule. The effective date of the revised rate schedule shall be five days after the date of this resolution.
2. San Jose Water Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004; the following Commissioners approved it:

WESLEY M. FRANKLIN
Deputy Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners